

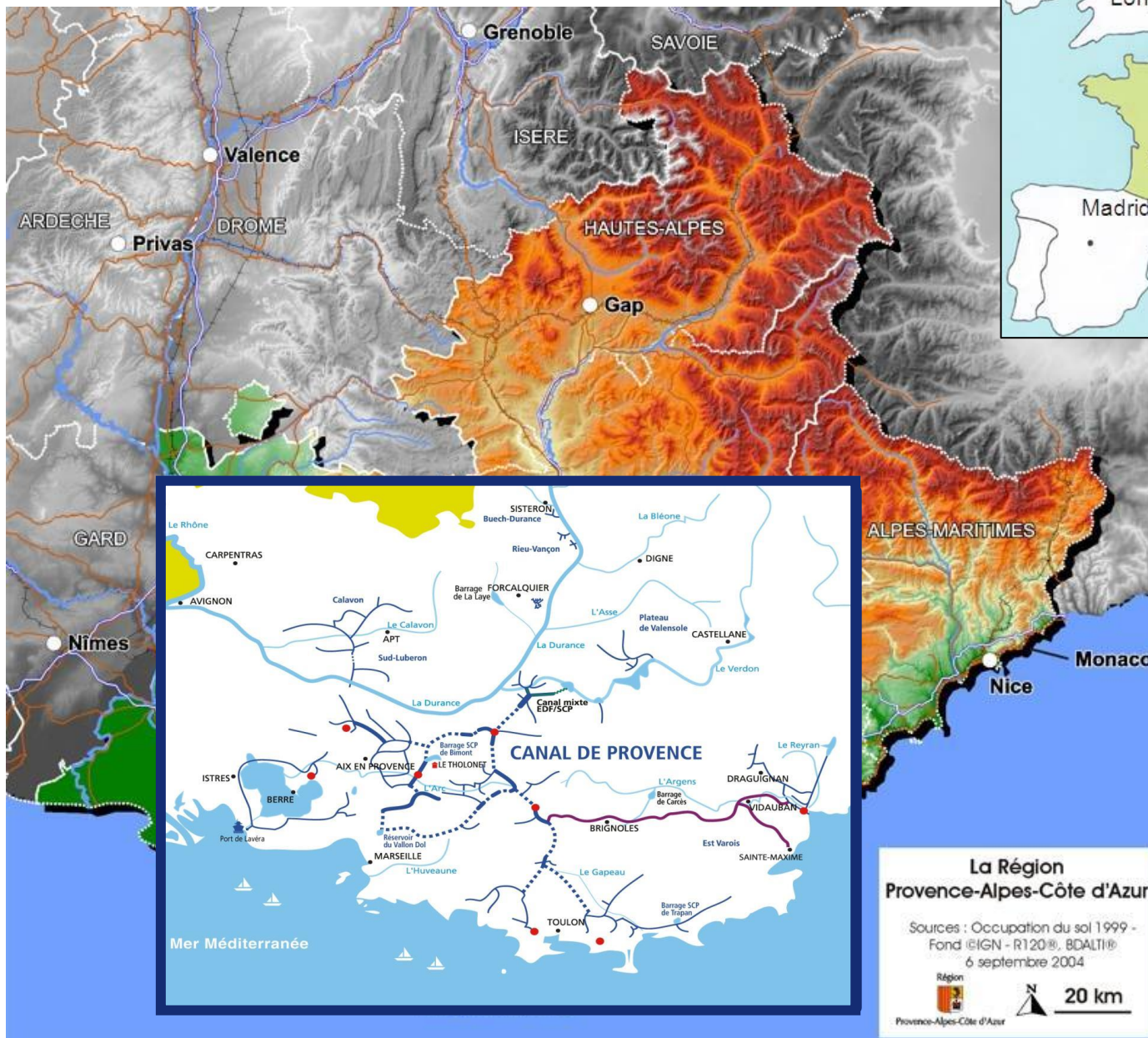
PPP in the water and sanitation sector best practices and lessons learnt : an exchange of experiences

UNECE – 22 October 2014



***The « Canal de Provence »
(France)***





**La Région
Provence-Alpes-Côte d'Azur**

Sources : Occupation du sol 1999 -
Fond ©IGN - R120®, BDALTI®
6 septembre 2004

Région
Provence-Alpes-Côte d'Azur

20 km

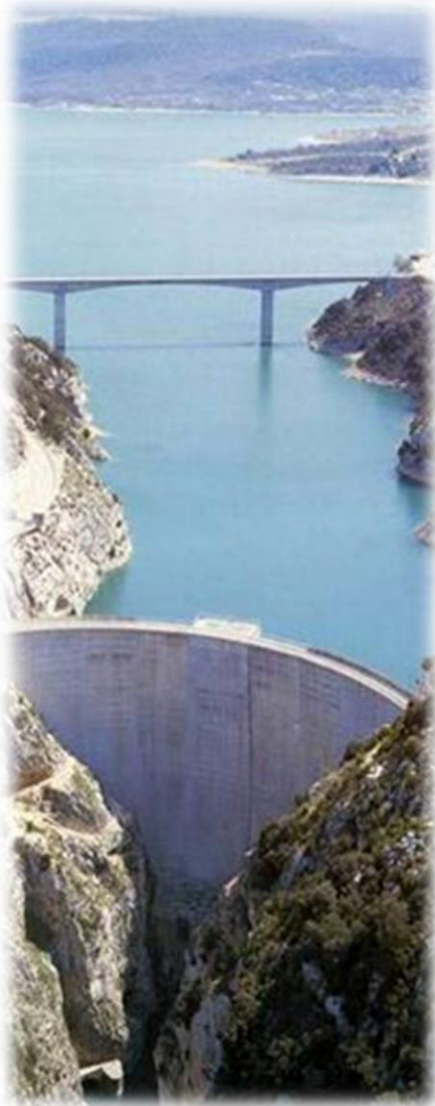




- Canals (70km)
- Galleries (140 km)
- Operation centers
- Main pipes and distribution (5000 km)



Brief historical review of the Canal de Provence



- **Post world war II program** : construction of dams and artificial lakes for economic development purpose (including hydropower and agriculture) in the Durance and Verdon valleys.
- SCP was set up in **1957** to secure water supply in Provence for all human and economic activities.
- SCP began in **1963** to build and operate hydraulic infrastructure, under a 75 years concession contract originally granted by the State.
- In **2004**, decentralization : the Region “Provence-Alpes-Côte d’Azur” replaces State as administrative body in charge of the water supply.
- Since **2008**, SCP has been carrying out its development under a new concession contract with the Region PACA.

Key figures of the Canal de Provence

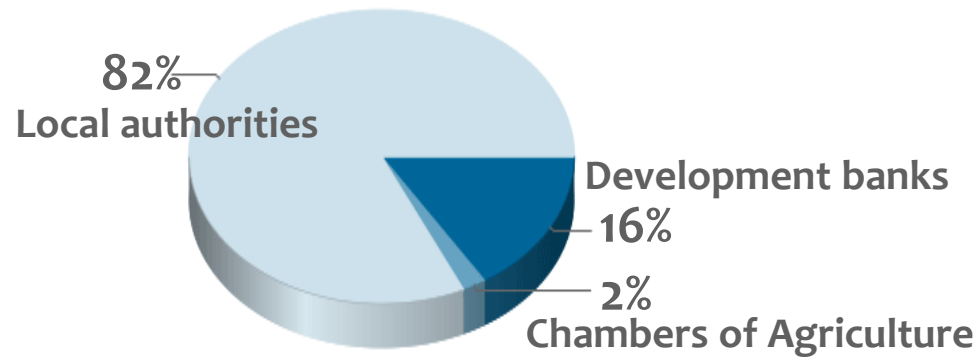


- Water rights : **660 Mm³/year**
- Water reserves (dams and reservoirs) : **250 Mm³**
- Maximum flow : **40m³/s**
- Present asset value of **2,5 billions Euros**
- Continuous investment : **30 M€ (*)**
- Long term maintenance and renovation : 5 years plans (**135 M€** for 2013-2017)
- **180 millions m³ (*)** distributed, including **30 to agriculture**, 45 to cities, 43 to industries
- Turnover of **90 millions Euros (*)** – including **10 M€ additional revenues** from activities such as **engineering (8M€)** and technical assistance to farmers
- Staff of **470 employees**, including 150 engineers and managers

(*) 2013

The “Société du Canal de Provence” (SCP)

- Specific legal statute “*Regional development company*” - designed to become Concession operator
- Semi-public company
 - ✓ Mainly public shareholders (90%) – Private (10%)



- ✓ Private corporation management rules : no public subsidies (apart from investment) - Private employee statute,...
- Regional scale, flexibility and management efficiency

The concession contract



- **75 years** : 1963-2038
- **Public service** to promote economic development of the Provence region
- Design, construct, operate and maintain the **multipurpose hydraulic system** of Canal de Provence
- Distribute **raw water** to farmers and individuals in rural areas, to cities and to industries
- **Full responsibility** for the assets - Bear all technical, commercial and financial risks
- **Pricing policy** : fees for water service (marginal cost), levied by the company
- **2038** : all the assets will be returned to the Region in perfect state of operation

Institutionnal aspects



CANAL
DE PROVENCE
ou
CANAL D'AIX
ET DE MARSEILLE.
Son Utilité , sa Possibilité.



- **Consensus of stakeholders** on the relevance of the project since the beginning : result of a long historical process and water scarcity in Provence
- Main local authorities **merged their water rights** and decided for a common project
- **Strong political involvement and financial support** from the local authorities (shareholders) and State
- **Governance** : All public shareholders are represented in the Board which approves the budget (including water fees) and the investment program
- **Efficient management**, both for investments and operation

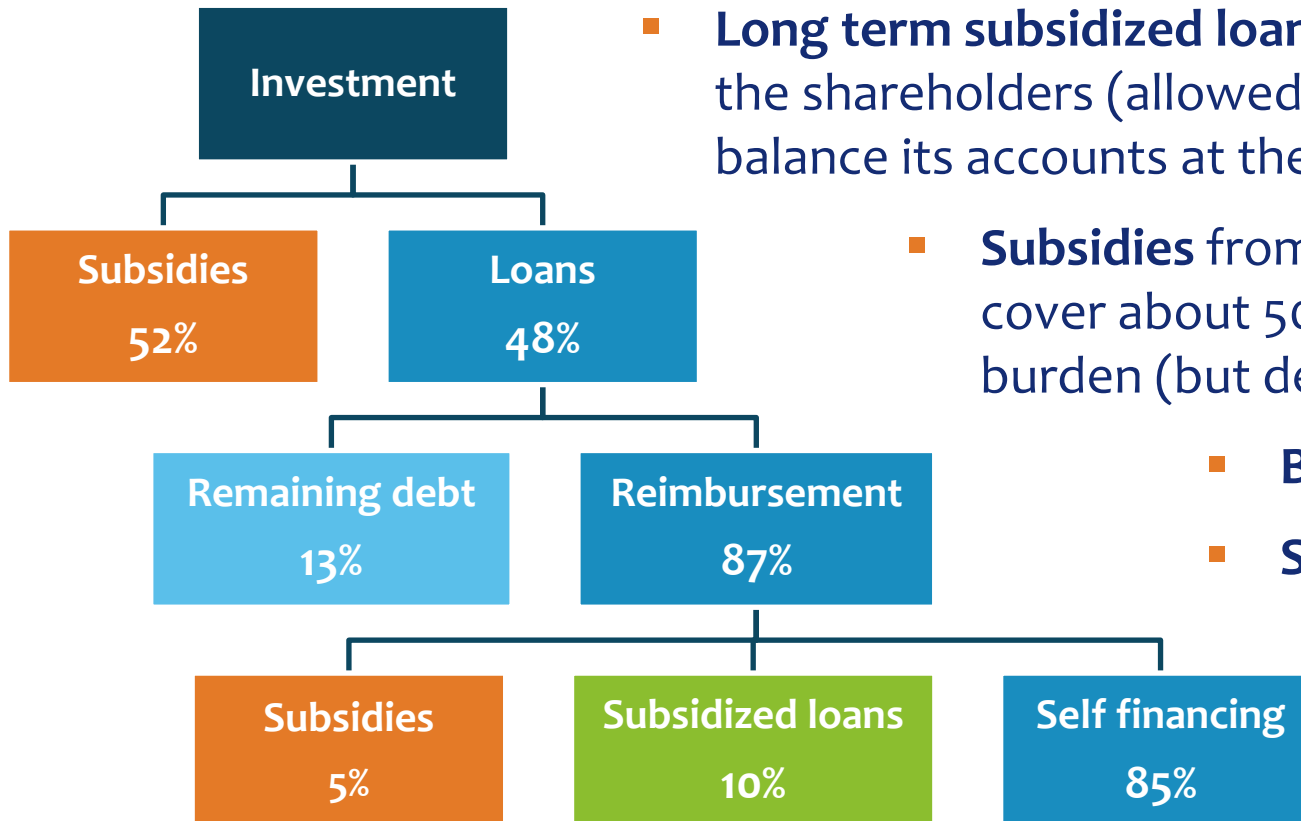
Technical aspects



- **Investment optimization** thanks to decisive technical choices :
 - ✓ Dynamic regulation and down stream control
 - ✓ Mix of canals and pressurized galleries
 - ✓ Pressurized piped distribution networks
- **Energy sobriety** :
 - ✓ Main infrastructure operates by gravity
 - ✓ 1/3 of the energy needed for distribution is produced
- **Water sobriety** : 85% of efficiency (transport and distribution)
- The solution has proved to be an efficient and equitable water resource management which benefits all uses

Financing the project

- Scale of the project and choice of marginal cost tariff policy lead to considerable financial needs in the first years



- Long term subsidized loans (advances)** from the shareholders (allowed the company to balance its accounts at the early stages)

- Subsidies** from the shareholders cover about 50% of the investment burden (but decreasing in time)

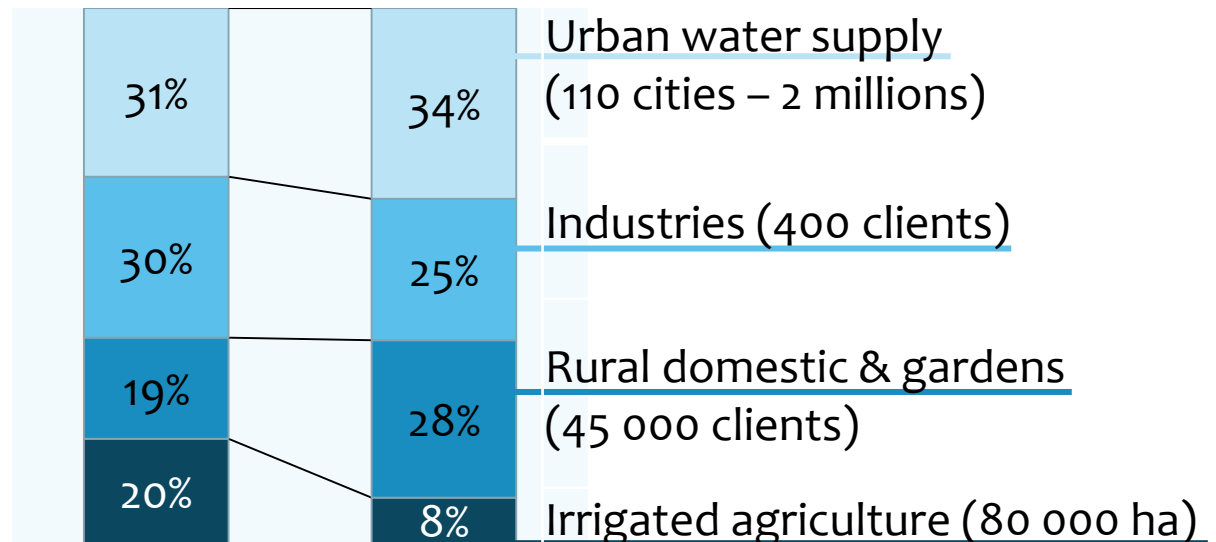
- Bank loans**

- Self financing**

Cost recovery - Solidarity between uses



- Fees cover the non-subsidized part of the investment and all the O&M costs
- Solidarity between uses : higher contribution from higher value uses
- Irrigation benefits from lower fees : 20% of volumes for 8% of turnover



140 Mm³
(Revenue water)

80 M€

(2013 figures)

Present cost structure

- Accounting rules allow the company to make substantial provisions for long term maintenance and renewal
- Incomes cover 100% of long term maintenance, renewal and modernization costs (30 M€, a little over 1% of present asset value)



33 %

- Asset development : Loans reimbursements (past and present investments in infrastructure)

32 %

- Long term maintenance, renewal and modernization

25 %

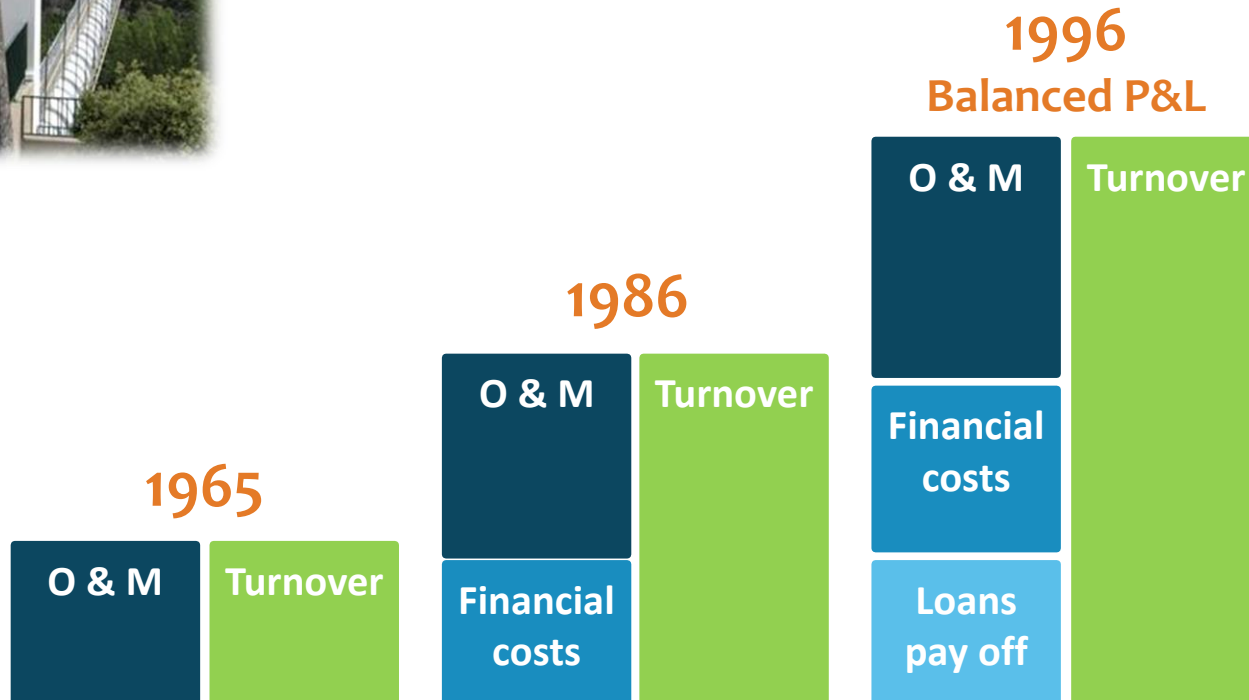
- Day-to-day operation and maintenance

10 %

- Taxes and miscellaneous charges

Financial aspects

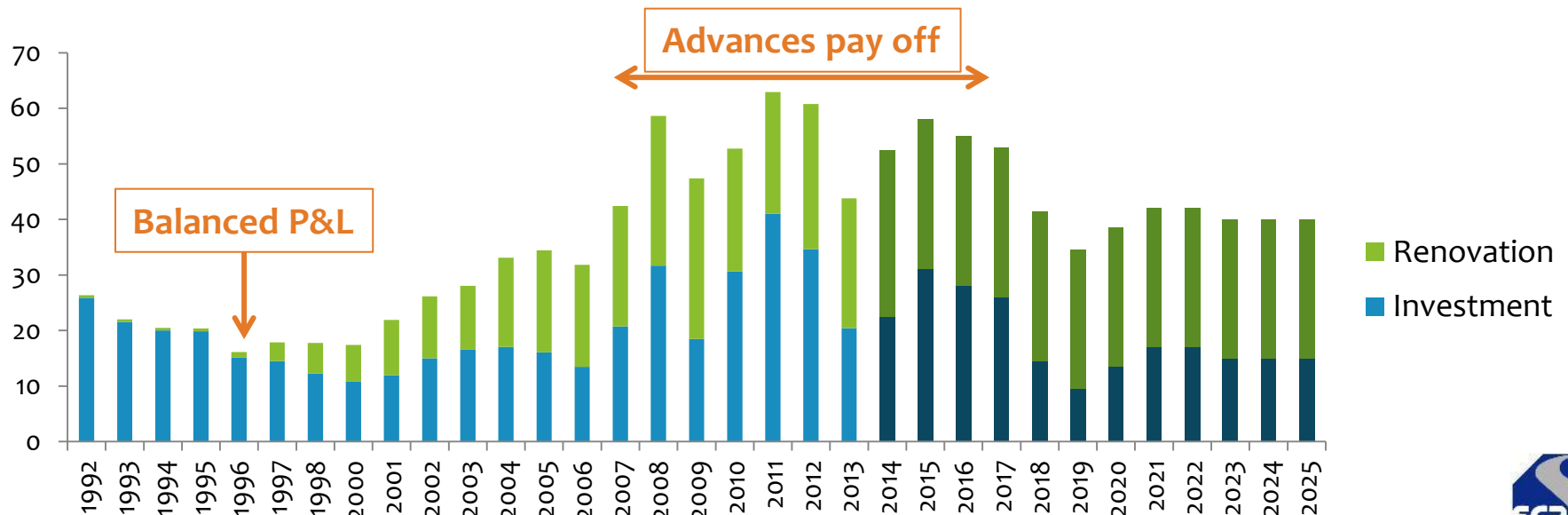
- **Balanced P&L reached in 1996**, after 33 years
- Since then, **all profits are reinvested**, no dividend distribution
- From 2007-2017 : paying off the advances granted by the shareholders (the reimbursed sums are reinvested in infrastructure)



Sustainability and efficiency of the infrastructure



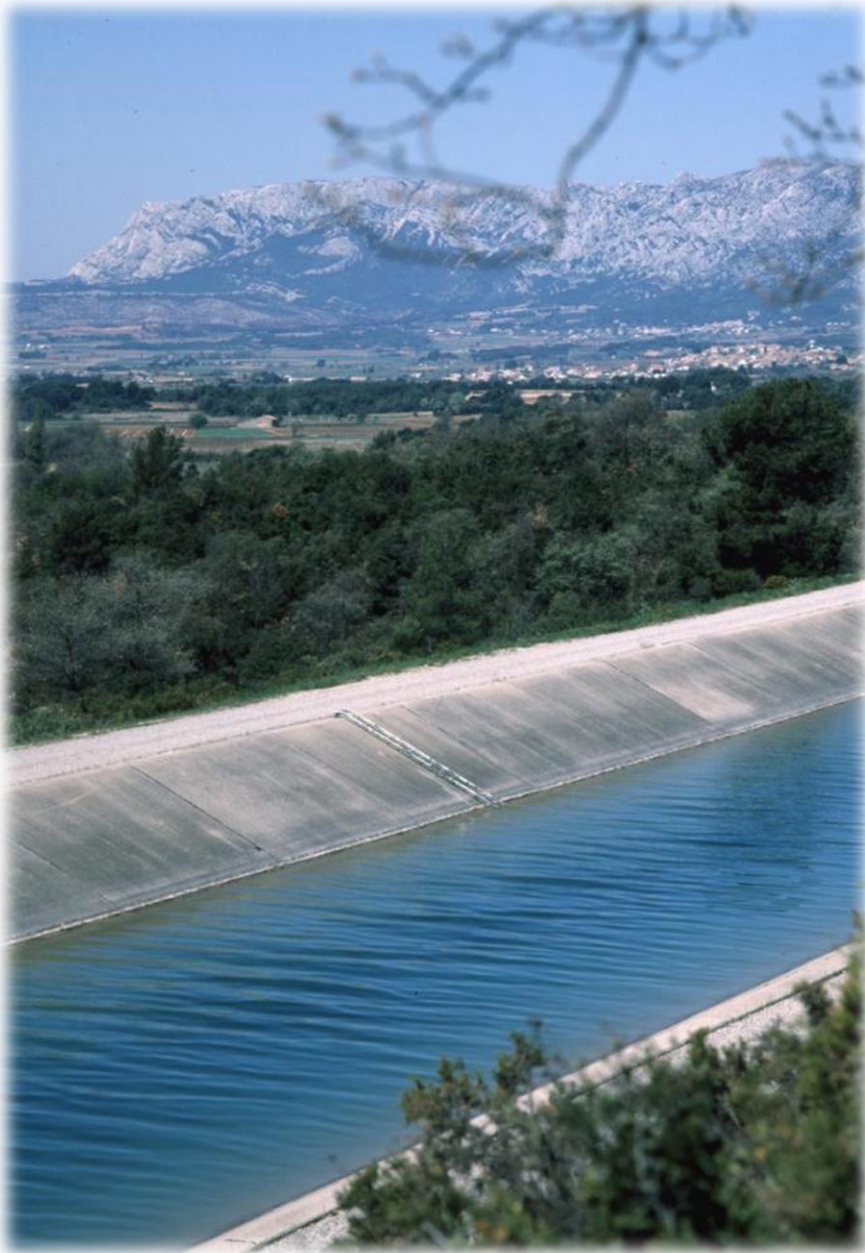
- Economic efficiency allows the company to pursue its development policy and fulfill the terms of the concession contract :
 - ✓ Extensions of distribution networks
 - ✓ Increasing water supply safety and quality of service
 - ✓ Renovation : long term maintenance, renewal and modernization of the infrastructure



The sustainability of the Canal de Provence



- **Company statute** : mainly public shareholders and private management rules – Flexibility and efficiency
- **Governance** - Strong and perseverant support from local authorities, both political and financial – State backing
- **Long term project** – long term political vision
- **Multipurpose infrastructure**
- **Technical** skill and decisive choices in the design – Large water reserves
- **Pricing policy** : solidarity between uses
- Continuous **investment** and **renovation** policy
- **In house engineering** and outside contracts (both in France and International)



***Thank you for your
attention***

Florence MALERBE
*Head of Agriculture and Water
Management Unit*

Société du Canal de Provence
Le Tholonet - France

